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KNOWLEDGEPOINT

Appendix E

Fair Labor Standards Act: Exempt/Nonexempt Classifications

The federal Fair Labor Standards Act (FLSA) establishes standards concerning the minimum wage rate, overtime pay, equal pay, and child labor. Except for those who are specifically excluded from coverage, the law applies to all employees who are:

- engaged in interstate commerce;
- engaged in the production of goods for interstate commerce;
- employed by an enterprise engaged in interstate commerce or in the production of goods for interstate commerce.

Many states also have laws patterned after the FLSA that cover wage and hour issues. Where state and federal law conflict, the more restrictive law usually prevails.

One of the more complex areas of the FLSA is its classification of certain employees as "exempt" or excluded from coverage by the overtime requirements of the law. An employee is presumed to be "nonexempt" (covered by the law and entitled to receive overtime pay) unless the employer can show that the employee's job duties and pay meet certain criteria.

The following tables summarize criteria for some of the most commonly used overtime exemptions. The exemption criteria can be applied easily and correctly to many jobs. However, there are some cases where determining the proper classification can be complicated.

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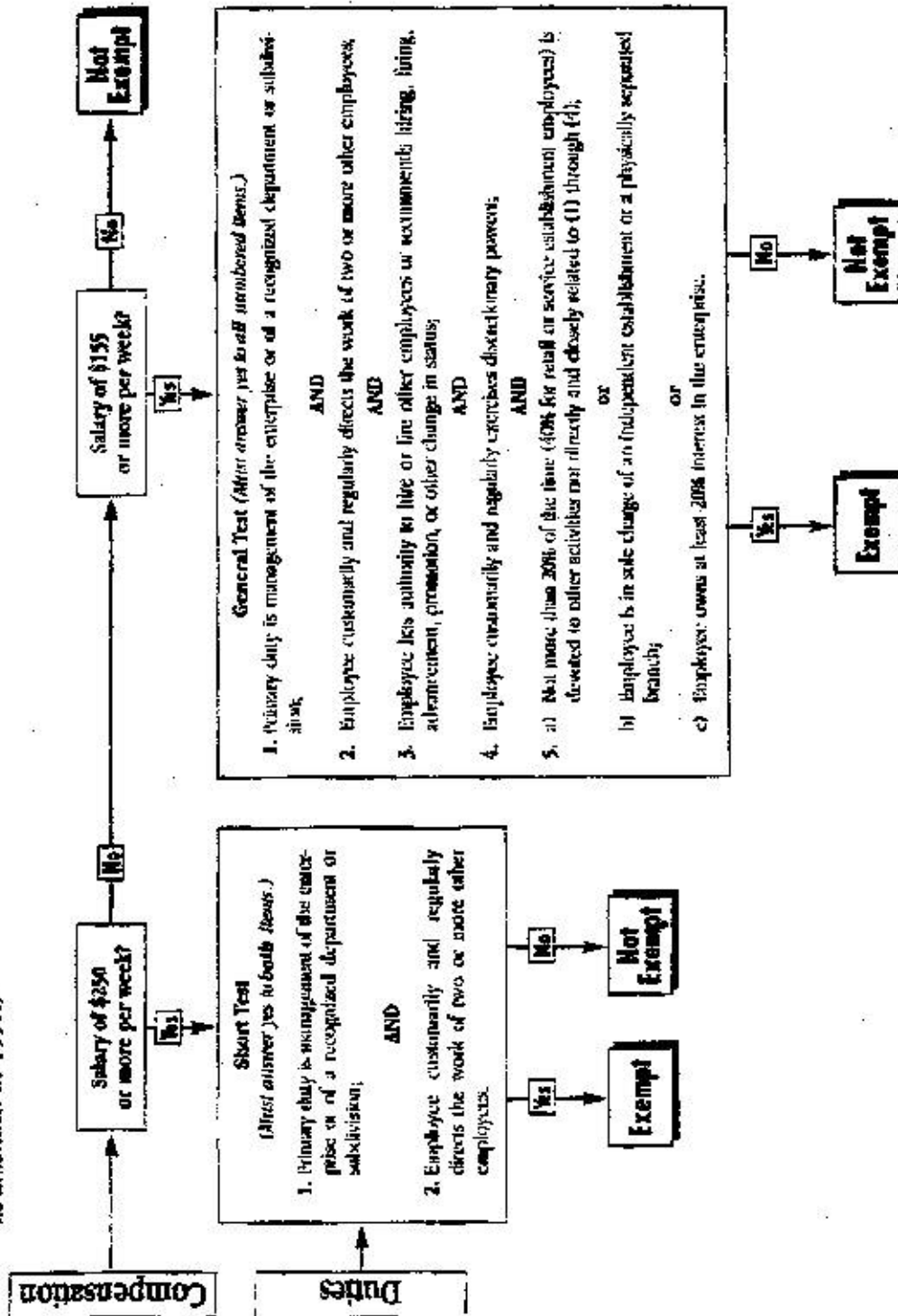
■ APPENDIX E - EXEMPT/NONEXEMPT CLASSIFICATIONS

A number of terms contained in the exemption definitions (for example, "salary," "primary duty," "closely and directly related work") have specific meanings when used in the FLSA. These terms are defined in the law and in decisions issued by the Department of Labor. It is important to correctly interpret and apply these terms when determining whether employees should receive overtime pay.

The tables in this appendix provide information to help *Descriptions Now!* users better understand some overtime provisions of the FLSA. They are not meant to provide legal advice. If you have questions on the correct application of the FLSA exemption criteria in your organization, *Descriptions Now!* recommends consulting an attorney or other individual with expertise in compensation issues.

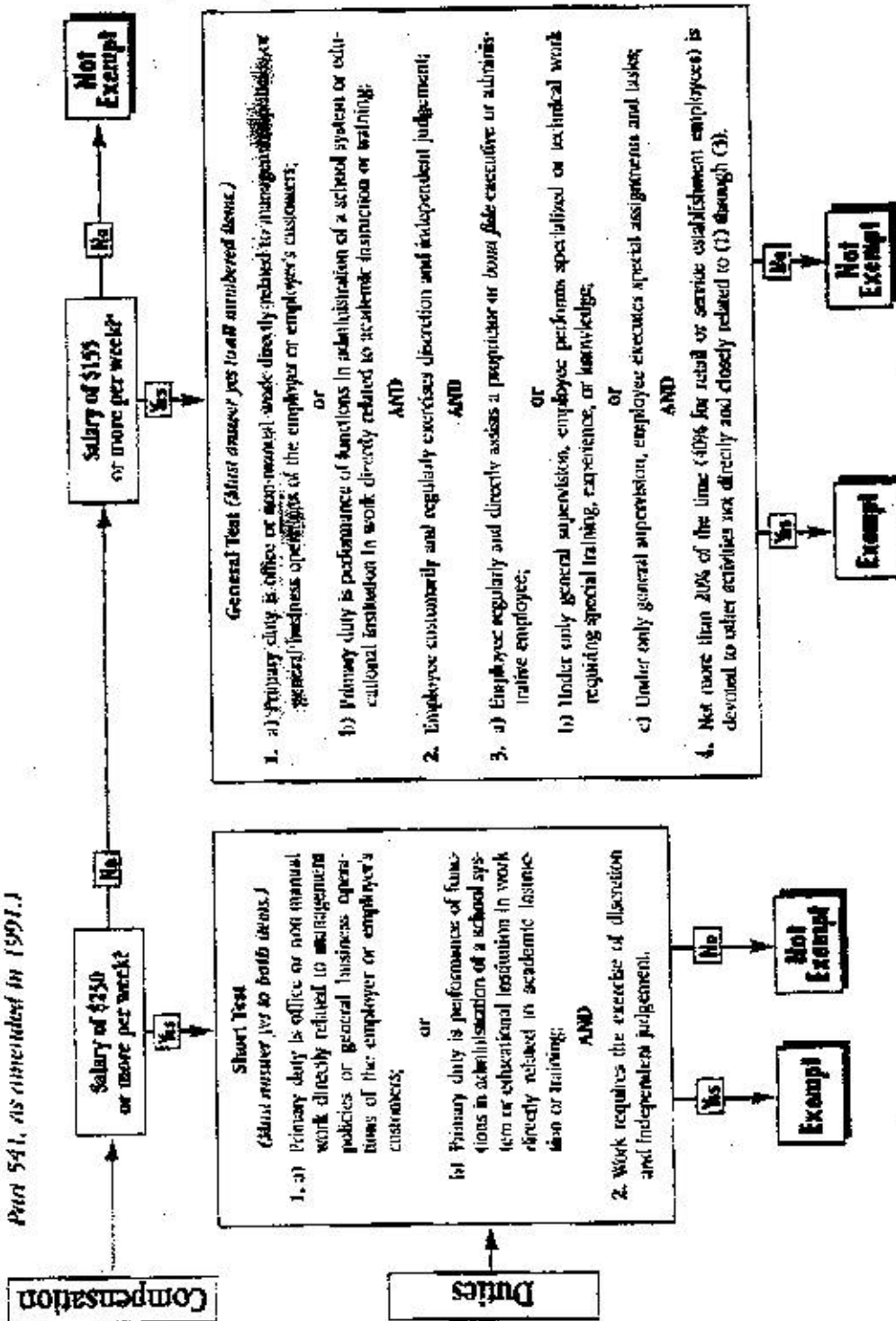
Executive Employees

Use this chart to determine if an executive employee meets compensation and duties criteria for exemption from FLSA overtime requirements. (Summarized from 29 Code of Federal Regulations, Part 541, as amended in 1991.)



Administrative Employees

Use this chart to determine if an administrative employee meets compensation and duties criteria for exemption from FLSA overtime requirements. (Summarized from 29 Code of Federal Regulations, Part 541, as amended in 1991.)

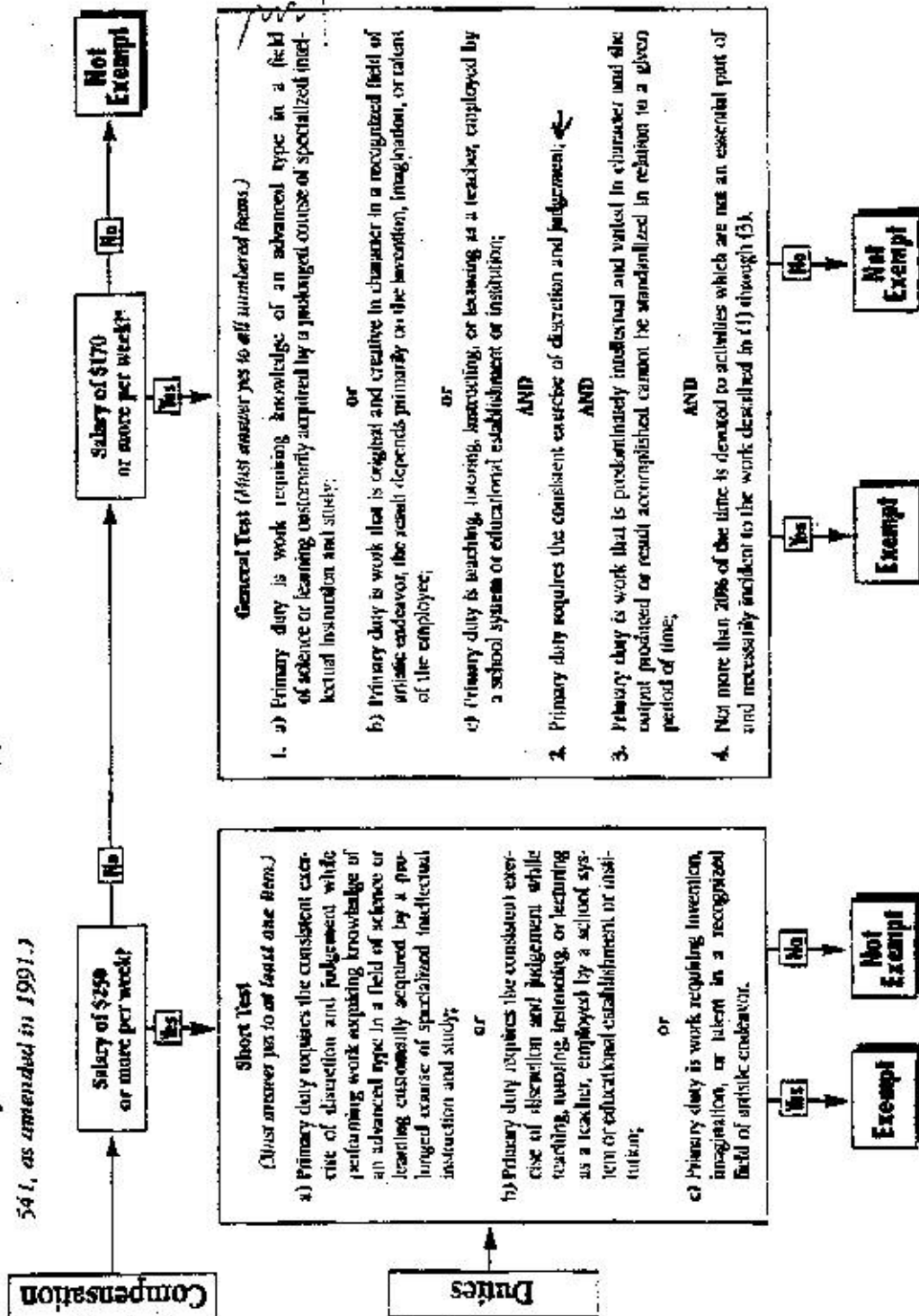


DIRECTLY RELATED TO MANAGEMENT POLICIES - THIS MEANS TO AFFECT THESE POLICIES / CHANGE THEM - NOT WORK WITHIN THE POLICIES 2
SUPERVISOR & CAP. MANAGED EQUIP ETC.

*In the case of academic administration personnel, employee receives either salary or fee of \$155 or more per week (1) or salary at least equal to entry salary of teachers in the same school.

Professional Employees

Use this chart to determine if a professional employee meets compensation and duties criteria for exemption from FLSA overtime requirements. (Summarized from 29 Code of Federal Regulations, Part 541, as amended in 1991.)



*Minimum salary requirement does not apply to an employee, licensed to practice law or medicine, who is actually practicing in the field; OR who has an academic degree in medicine and is in an internship or resident program; OR who is employed as a teacher as defined in (1c).

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